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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 30, 1993

Mr. William Caton
Acting Secretary
Federal Communications Commission
1919 M Street
Room 222
Washington, D.C. 20554

Re: PP Docket No. 93-253
In the Matter of Implementation of
Section 309(j) of the Communications Act
Competitive Bidding

Dear Mr. Caton:

Enclosed please find an original and five (5) copies of American Wireless Communication Corporation's Reply Comments in the above-captioned case. Please file the original and return a copy which should be stamped with the date of filing and returned to me in the enclosed stamped, addressed envelope.

If you have any questions, please do not hesitate to contact me.

Thank you for your assistance.

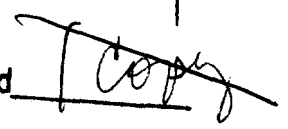
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David Jeppsen

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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OFFICE OF THE SECRETARY

In the Matter of

Implementation of Section 309(j)
of the Communications Act
Competitive Bidding

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PP Docket No. 93-253

REPLY COMMENTS
OF THE
AMERICAN WIRELESS COMMUNICATION CORPORATION

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Dated: November 30, 1993

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SUMMARY

The use of set-asides is an essential tool in helping to ensure that designated entities have an opportunity to bid for PCS spectrum. The majority of those who addressed the issue support the Commission's set-aside proposal. The Commission's authority to use set-asides, in its own discretion and without the necessity of a Congressional mandate, is well established. Moreover, the constitutional issues raised regarding set-asides should not deter the Commission from going ahead with its proposal.

Nevertheless, while the Commission's set-aside proposal is a necessary element in achieving Congress' goal, the record is clear that the use of set-asides alone is not sufficient to ensure economic opportunity for the designated entities. The Commission must allow for preferences for the designated entities beyond the set-aside blocks of spectrum. There is broad support for the use of installment payments, tax certificates, and bidding credits by designated entities--both within and outside the set-aside blocks. Moreover, many support the use of installment plans with reduced interest charges, and relaxed up-front payment and deposit requirements.

Many parties have recognized the need for designated entities to participate in bidding consortia without losing their eligibility for preferential treatment. For this reason, AWCC and others strongly recommend that the

Commission provide preferential treatment based upon the percentage of designated entity ownership in a group.

The Commission should use its existing broadcast standard for the purpose of defining eligible businesses owned by women and minorities. Under this standard, minorities and women must have voting control and own at least 20% of the equity of a business in order to be eligible for preferential treatment. Strong anti-sham and anti-trafficking rules will deter potential abuse. Proposals advocating a 50.1% equity requirement, however, are too rigid. That standard would ultimately lead to the foreclosure of opportunity for these designated groups.

Many parties, in addition to AWCC, support the use of combinatorial bidding at both the MTA and BTA level. Use of combinatorial bidding at both levels will encourage designated entity involvement. Finally, AWCC continues to support a horizontal, top-down sequencing approach, provided that the entire PCS auctioning process can be completed within a reasonable period of time.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)	
)	
Implementation of Section 309(j))	PP Docket No. 93-253
of the Communications Act)	
Competitive Bidding)	

REPLY COMMENTS
OF THE
AMERICAN WIRELESS COMMUNICATION CORPORATION

American Wireless Communication Corporation (AWCC),¹ submits these Reply Comments in response to the comments filed in this proceeding.² In its initial Comments, AWCC supported the constitutionality of the Commission's proposed preferences for designated entities; provided recommendations on the implementation and scope of the preferences; suggested additional measures that should be taken in order to ensure meaningful involvement by the designated entities, and

¹ AWCC is a national consortium of small businesses, businesses owned by women and minorities, and rural telcos, that was formed to provide assistance to these firms as they pursue permanent PCS licenses in the 2 GHz spectrum range. The goals of AWCC are to provide bidding strategy for individual member firms and for member firms in combination with national partners, and to help attract capital for member firms as they undertake to establish PCS operations. AWCC will also seek to provide PCS services to subscribers in various regions of the country.

² Comments were due on November 10, 1993. Reply Comments were originally due on November 23, 1993. The Commission extended the due date for Reply Comments until November 30, 1993 (See Public Notice, DA 93-1426, adopted November 22, 1993). Therefore, these Reply Comments are submitted in a timely manner.

supported appropriate safeguards and limitations to ensure that the benefits of those provisions assist the designated groups. These Reply Comments focus on the issues raised by the comments of other parties concerning the implementation and scope of the preferences, as well as other supplemental issues pertaining to the auction process.

I. THE PREFERENCES

A. The Use of Set-Asides is in the Public Interest and is Consistent With Section 309(j) and the Constitution.

The use of set-asides is one essential tool in helping to ensure that designated entities have an opportunity to bid for PCS spectrum.³ The majority of those addressing the issue of set-asides for designated entities support or do not object to the proposal.⁴

³ As discussed below, preferences for designated entities outside the set-aside blocks is also an important part of ensuring economic opportunity for the designated entities as Congress has intended.

⁴ See, e.g., Comments of American Personal Communications at 5-6; Comments of Association of Independent Designated Entities (AIDE) at 7-9; Comments of AT&T at 23-29; Comments of Bell Atlantic at 14-15; Comments of Cook Inlet Region, Inc. at 25-29; Comments of GTE Services at 12; Comments of Independent Cellular Network Inc.; Comments of Liberty Cellular; Comments of MCI at 14; Comments of McCaw Cellular Communications Inc.; Comments of the Minority PCS Coalition at 7-9; Comments of the National Association of Black-Owned Broadcasters (NABOB) at 8-9; Comments of the National Telecommunications and Information Administration (NTIA) at 26-27; Comments of Pacific Telecom Cellular, Inc.; Comments of Palmer Communications, Inc. at 12; Comments of Small Business Administration (SBA) at 18-20; Comments of Small Business PCS Association at 2; Comments of Southwestern Bell Corporation (SWBC) at 41; Comments of Systems Engineers

Only a few parties have opposed the Commission's set-aside proposal. AWCC has already addressed the primary concerns of the opponents of set-asides in its initial Comments. One additional argument warrants further comment. In its Comments, BellSouth focuses on an early provision of the Budget Act that would have mandated that the Commission set aside a license for rural telcos only. Congress rejected this approach. BellSouth argues that the use of set-asides is contrary to Congress' intent BellSouth contends that this refusal by Congress to mandate a set-aside for rural telcos reflects Congress' intent that the Commission not use set-asides in any context.⁵ To support its claim, BellSouth cites the House Report on the Committee on the Budget, which states:

The Committee has never dictated -- by statute -- that the Commission issue specific licenses to specific individuals or companies since it first approved legislation creating the FCC fifty-nine years ago.⁶

This language does not support BellSouth's contention "that set-asides were not the intended method to effectuate congressional objectives with respect to any of the

Inc.; Comments of Telephone and Data Systems Inc. at 16; Comments of Tri-State Radio Co. at 10-12; Comments of Vanguard Cellular Systems, Inc.

⁵ Comments of BellSouth at 20.

⁶ H.R. Rep. No. 103-111, 103d Cong., 1st Sess. 257 (1993).

designated groups."⁷ To the contrary, the fact that Congress has never mandated set-asides is a clear indication that Congress understands that the Commission has broad authority to set aside blocks for the designated groups in its own discretion, without the necessity of a Congressional mandate. If Congress intended to prohibit the Commission from using set-asides for either rural telcos or any of the other designated groups, it would have done so in explicit terms.

Indeed, Congress' conclusion that the Commission does not need further authorization to set aside the blocks for the designated groups took place against a backdrop of previous actions adopting set-asides in emerging mobile services. The authority of the Commission to set aside spectrum for designated groups is well established.⁸

Moreover, the constitutional issues raised regarding set-asides should not deter the Commission from going forward with its proposal. The Commission targeted the designated

⁷ Id.

⁸ See Cellular Communications Systems, 86 FCC 2d 469; Cellular Lottery Selection, 56 RR2d 8, 21; cf. Comments of BellSouth at 21 n.32. AWCC disagrees with BellSouth to the extent that it suggests that the Commission has questioned whether it has the authority to use the set-asides. In footnote 48 of the NPRM, the Commission merely recognized that the legislative history "provides little guidance" on the preferential measures it may decide to use. NPRM at ¶73 n. 48. Contrary to BellSouth's suggestion, the Commission did not question whether it had, or even needed, the authority to use set-asides. In fact, it is ironic that BellSouth would question the Commission's authority to use set-asides since wireline carriers were the beneficiaries of a set-aside in the allocation of spectrum for cellular systems.

groups for set-asides and other preferences based on economic considerations, not race or gender per se. As AWCC discussed in its initial Comments, Congress did not limit the suggested preferences to any one group based on a racial or gender classification, nor did Congress indicate that a race or gender distinction was its goal. To the contrary, Congress intended to create a classification based on an economic rationale--the need to provide economic opportunity for certain businesses, not a gender or race-based classification for awarding licenses. The inclusion of businesses owned by minorities and women should not implicate constitutional concerns.

Moreover, even if a court did construe that the preferences are based on racial or gender status, the set-aside would pass constitutional muster for the reasons already explained in AWCC's Comments: The set-asides further an important governmental interest and are substantially related to the goal of improving economic opportunity for businesses owned by minorities and women.⁹

⁹

See Comments of AWCC at 6-18.

B. The Commission Should Allow Reduced Interest or Interest-Free Installment Payments to Ensure That Designated Entities Are Able to Overcome the Barriers to Entry Into the PCS Marketplace.

Set-asides of spectrum for designated entities is a necessary, but not sufficient, step toward the goal of increased diversity in the ownership of PCS licenses. Designated entities need other financial incentives and supports to enable them to enter the PCS market. As the National Telecommunication and Information Administration (NTIA) noted, "[c]apital formation is one of the major barriers to full participation by small and minority businesses in the communication field. . . ." ¹⁰

An overwhelming number of the comments support the use of decreased deposit requirements and the use of installment payments for designated entities to compensate for the difficulties of accumulating the large amount of capital necessary to bid for and purchase a PCS license, either for spectrum that is purchased through competitive bidding or as part of the set-aside program. ¹¹

¹⁰ Comments of NTIA at 26.

¹¹ See, e.g., Comments of AIDE at 7; Comments of AT&T at 4; Comments of Bell Atlantic at 14-15; Comments of BellSouth at 23-26; Comments of Cook Inlet Region, Inc. at 30-34; Comments of GTE at 12; Comments of MCI at 14; Comments of Minority PCS Coalition at 9; Comments of NABOB at 10; Comments of NTIA at 27; Comments of National Telephone Cooperative Association (NTCA) at 11; Comments of NYNEX at 19; Comments of Pacific Bell & Nevada Bell at 29; Comments of Palmer Communications, Inc. at 3; Comments of SBA at 20-23; Comments of Small Business PCS Association at 5; Comments of SWBC at

Many commentators also recognize the need to allow the designated entities to pay reduced interest or interest-free installment payments. For example, AWCC recommended that rather than utilize the prime rate as the benchmark for the rate of interest, the Commission should utilize the federal funds rate (perhaps plus 1 percent) as the benchmark in order to offer the best possible payment terms to the successful designated entity bidder.¹² On the other hand, the Small Business Administration (SBA) recommends installment payments without interest. According to the SBA, "the public interest is better served by the government forgoing [sic] the payment for the time value of money in return for rapid deployment of PCS and designated entity involvement in new technologies."¹³ Other groups have similarly suggested the use of interest-free installment payments.¹⁴

Given the enormous capital requirements to bid for spectrum and then construct and operate a PCS system, the Commission should give serious consideration to these proposals. Designated entities will need some form of relief on their interest payment obligations in order to effectively

36; Comments of Telocator at 7; Comments of Telephone and Data Systems Inc. at 16, 21.

¹² Comments of AWCC at 6-18.

¹³ Comments of SBA at 22.

¹⁴ See, e.g., Comments of NABOB at 11; cf. Comments of AIDE at 14 (Commission should only collect interest on installment payments when it can pay interest on up-front payments and auction deposits).

compete with larger, well-financed entities following the auctions. Providing designated entities with a reduced interest or interest-free obligation will help ensure the participation of the designated groups in the PCS marketplace.

C. The Broad Use of Tax Certificates is in the Public Interest and Furthers the Goals of Congress in Encouraging the Entrance of Designated Entities into the PCS Marketplace.

There is strong support in the record for the use of tax certificates in order to assist the designated entities in a variety of contexts, including when investors sell their interests in a designated entity, when a license is sold to a designated entity, and when a designated entity sells its license to pay any deferred auction price.¹⁵ In addition, AWCC and others support the Commission's proposal to offer tax certificates to anyone investing in a specialized small business investment company (SSBIC), or to any SSBIC that invests in a designated entity.

The broad application of tax certificates will encourage investment in the designated entities. The flow of capital to the designated entities will allow them to bid effectively

¹⁵ See, e.g., Comments of AIDE at 8; Comments of AT&T at 2; Comments of Bell Atlantic at 14-15; Comments of Cook Inlet Region, Inc. at 30-34; Comments of Independent Cellular Network Inc. at 4; Comments of Minority PCS Coalition at 13; Comments of NABOB at 10; Comments of NTIA at 27; Comments of Palmer Communications, Inc. at 5; Comments of Telephone and Data Systems at 16; Comments of Telocator at 7.

for spectrum, construct and operate a PCS system, and effectively compete in the PCS marketplace. Thus, the broad use of tax certificates will further the goals of Congress to ensure economic opportunity for the designated entities. The Commission should, therefore, adopt an effective and broad tax certificate program.

D. The Use of Bidding Credits is in the Public Interest and Furthers the Goals of Congress of Alleviating the Disadvantages Facing Designated Entities.

Many parties support the use of bidding credits by the designated entities.¹⁶ AWCC suggested the use of a 10% credit for designated entities regardless of whether or not an "innovator's preference" is established.¹⁷ Other parties have suggested bidding credits as high as 25% for designated entities.¹⁸

As the comments reflect, the use of bidding credits for designated entities is in the public interest and should be adopted by the Commission. AWCC's recommendation for a 10% credit should be the minimum credit amount considered by the Commission. Moreover, as explained in more detail below,

¹⁶ See, e.g., Comments of AIDE at 7; Comments of AT&T at 2; Comments of NABOB at 10; Comments of NTCA at 12-13; Comments of NYNEX at 19 n. 17; Comments of PacTel at 19-23; Comments of Palmer Communications, Inc. at 5.

¹⁷ See also Comments of Palmer Communications, Inc. at 5.

¹⁸ See, e.g., Comments of NABOB at 10.

consortia that include designated entities should be given proportionate credit linked to the percentage of designated entity participation. This will promote efficient alliances between the designated entities and non-designated groups.

At the same time, rural telcos should not be allowed to use bidding credits to the extent that they are allowed to use REA funding for the development of PCS. Given the favorable rates of REA financing,¹⁹ rural telcos would be subject to a double preference should they be allowed to use REA funding for such purposes in addition to the bidding credits. Thus, rural telcos should be eligible for bidding credits only if they are not allowed to use REA funding for PCS.

E. The Up-Front Payment and Deposit Obligations of the Designated Entities Should be Relaxed in Recognition of their Difficulties in Accumulating Large Amounts of Capital.

Numerous parties recognize the significant financial burden that designated entities would face under the Commission's tentative proposal for up-front payments and deposits. Therefore, the record is full of a variety of alternative proposals to alleviate these difficulties. For

¹⁹ We note that REA filed comments notifying the Commission that future REA loans will be at the "government's cost of money rate." See Comments of Rural Electrification Administration at 2. Nevertheless, numerous rural telcos have already obtained REA financing at favorable rates.

example, AWCC suggested that a 50% discount be applied to the up-front payment obligations of designated entities.²⁰ SBA has recommended that the designated entities be allowed to provide their up-front payments in the form of a bond.²¹ Others have suggested that a letter of credit should suffice.²²

The substantial number of comments on this issue is a clear indication that the Commission must give some form of relief on up-front payments and deposits for designated entities. Certain designated entities may prefer to fulfill their up-front payment and deposit obligations by a bond or letter of credit. Others, however, may prefer to use cash provided that the required level is not unduly burdensome. Thus, AWCC recommends that the Commission provide designated entities the option to select the form of up-front payment that suits them best: full value by bond or letter of credit, or 50% in the form of liquid funds.

²⁰ Comments of AWCC at 31.

²¹ Comments of SBA at 27.

²² See, e.g., Comments of BellSouth at 26; Comments of Minority PCS Coalition at 11; Comments of NABOB at 11-12.

II. THE SCOPE OF THE PREFERENCES

A. The Use of Preferences for Bids By Designated Entities Outside the Set-Aside Blocks is in the Public Interest and Furthers the Goals of Congress.

A large number of parties support preferences for the designated entities beyond the set-aside blocks.²³ As Commissioner Barrett and numerous parties have observed, the financial realities of PCS indicate that a business based solely upon the set-aside blocks of spectrum will be at a significant competitive disadvantage with a business using the larger 30 MHz blocks based on the MTA.²⁴ Thus, the application of the preferences outside the set-aside blocks is crucial to ensuring economic opportunity for the designated groups, thereby furthering the goals of Congress.

At the same time, it is important that the Commission provide designated entities with the set-aside blocks of spectrum in addition to the broad use of the preferences. While the set-aside blocks will play an important role in furthering the goals of Congress, the use of the preferences

²³ See, e.g., Comments of AIDE; Comments of AT&T; Comments of Bell Atlantic; Comments of BellSouth; Comments of Cook Inlet Region, Inc.; Comments of GTE; Comments of MCI; Comments of Minority PCS Coalition; Comments of NABOB; Comments of NTIA; Comments of NYNEX; Comments of Pacific Bell & Nevada Bell; Comments of PacTel Corp; Comments of Palmer Communications, Inc.; Comments of SWBC; Comments of Systems Engineering Inc.

²⁴ See, e.g., Dissenting Statement of Commissioner Andrew C. Barret to PCS Order at 9; Comments of AIDE at 7-8; Comments of Cook Inlet Region, Inc. at 25-27; Comments of Minority PCS Coalition; Comments of NABOB at 9-10.

solely within the set-aside blocks of spectrum will do little to promote Congress' objective. Indeed, Congress directed the Commission to ensure economic opportunity for the designated groups. It did not authorize the Commission to ensure economic opportunity that is limited in its scope. Use of the preferences only within the set-aside blocks limits the opportunity. Use of the preferences broadly expands the opportunity, but without the set-aside blocks there is no assurance of results. Since results are the best measure of the opportunity, the Commission should provide the set-aside blocks and allow the preferences to be used outside the set-aside blocks. Doing both ensures the opportunity that Congress intended.

B. The Commission Should Provide
Proportionate Preferential Credit for
Consortia that Include Designated
Entities.

Numerous parties have encouraged the Commission to develop a system that promotes the formation of bidding consortia.²⁵ Strategic alliances will play an important role in ensuring the rapid development of PCS. Thus, it is important that the designated entities have an opportunity to participate in bidding consortia without losing their eligibility for preferential treatment. For this reason,

²⁵ See e.g., Comments of Cook Inlet Region, Inc. at 43; Comments of Minority PCS Coalition at 5; Comments of NTCA at 13; Comments of NYNEX at 19-20.

AWCC strongly recommended in its Comments that the Commission provide preferential treatment based upon the percentage of designated entity ownership in a group. MCI Telecommunications and others strongly endorsed a "proportionate preferential credit" concept.²⁶ Under a proportionate credit system, an enterprise that is, for example, 20% owned by designated entities would be allowed to make installment payments for up to 20% of the bid price. That enterprise would similarly be eligible for a bidding credit proportionate to the level of designated entity involvement. Once the level of designated entity involvement rises to a level of control, the enterprise would be eligible for full preferential treatment.

A proportionate preferential credit system will provide economic opportunity for even the smallest, most disadvantaged group since it will encourage partnerships between the designated entities and more financially established groups. If proportionate credit is not allowed, designated entities will have no incentive to join a group since they would lose their eligibility if they did so. Nor will the promoters of consortia have an incentive to include the designated entities within their groups without proportionate preferential credit. The Commission should

²⁶ See Comments of AT&T at 25-26; MCI Comments at 14; Comments of Pacific Bell & Nevada Bell at 21.

thus adopt a proportionate credit system in order to advance the goals of Congress.

C. The Commission Should Use its Existing Broadcast Standard for the Purpose of Defining Businesses Owned by Minorities and Women.

The Commission should use its existing broadcast standard for the purpose of designating entities as owned by women or minorities. Under this standard, minorities and women must have voting control and own at least 20% of the equity of a business in order to be eligible for preferential treatment. Some parties have made unsubstantiated assertions that the "broadcast standard" has been a failure because it has been the subject of abuse. AWCC disagrees. While abuses of the broadcast standard undoubtedly have occurred, it is unfair to label the entire standard a failure because of some misdeeds. To the contrary, the broadcast standard has been an effective tool for advancing minority involvement in the broadcast media. In reality, abuses will occur with any standard that the Commission may adopt. The challenge is to strike a balance between deterring the abuses and effectuating the underlying policy goals. Seen in this light, the broadcast standard clearly has been effective.

Certain parties have advocated an eligibility standard that requires an ownership interest by minorities and women of at least 50.1%. Others go further and propose a requirement that minorities and women maintain "operational

control" of the enterprise in order to be eligible. AWCC believes that these proposals go too far and could ultimately foreclose opportunity to the very groups the preferences are designed to help. The groups that Congress directed the Commission to assist are generally those with limited financial resources. It is contrary to Congress' intent, therefore, to require those with limited financial resources to make a substantial economic investment (i.e. over 50.1% equity in an entity of sufficient size to construct and operate a PCS system) in order to be eligible for preferential treatment. Rather, the purpose of the preferences is to provide an economic opportunity in light of the designated entities' meager economic means.

Moreover, AWCC sees no reason to require "operational" control. Minorities and women should be afforded economic opportunity even if that opportunity comes in the form of an investment. Indeed, an "operational" control requirement would significantly limit eligibility to bid to those members of designated groups who have significant telecommunications experience. Clearly, when Congress required that economic opportunity be provided to the designated groups it did not intend such a limited result.

D. Rural Telcos Should Not Be Subject To
Preferences in Excess of Those Provided
to the Other Designated Entities.

The National Telephone Cooperative Association (NTCA) filed comments advocating a variety of preferential measures for the exclusive benefit of rural telcos. NTCA suggested eliminating up-front payment requirements, allowing royalty payments, and providing bidding credit--all for rural telcos alone.²⁷

A number of rural telcos are members of AWCC. Thus, AWCC understands the important role that rural telcos serve and strongly supports the use of preferences on their behalf. At the same time, AWCC strongly believes that the preferences should be applied to all the designated entities equally. Any disproportionate allocation of preferences among the designated entities will ultimately serve to frustrate the goal of Congress, which is to ensure economic opportunity for all the designated groups. Therefore, rural telcos should not be eligible for any preferences that are also not provided to other designated entities.

III. MISCELLANEOUS ISSUES

A. The Commission Should Adopt Strict Anti-Trafficking Rules.

AWCC disagrees with those who argue that trafficking restrictions should not apply to the set-aside licenses. In

²⁷ See Comments of NTCA at 11-13.

order to fulfill the goals of Congress of ensuring participation by the designated entities in spectrum-based services, the Commission must create a disincentive against mere speculators and would-be profiteers who have no real interest in providing spectrum-based services. AWCC submits that those who are sincere about participating in the provision of PCS will have no objection to a three-year holding period.²⁸ Speculators, on the other hand, generally seek to "flip" the license soon upon receipt. A three-year holding period would deter such speculation. Of course, if special circumstances arise, a sincere party could seek relief from the holding period by requesting a waiver. Thus, a holding period should not be viewed as overly restrictive.

**B. The Commission's Proposals for
Combinatorial Bidding Should Be Adopted.**

The comments indicate a split of opinion over the Commission's proposed use of combinatorial bidding. AWCC agrees with those commentators who support the use of combinatorial bidding at both the MTA and BTA level.²⁹ While maximum competition in the marketplace is to be encouraged,

²⁸ See e.g., Comments of AT&T at 27 (holding period until benefits of the preference have expired); Comments of MCI at 20 (three-year holding period); Comments of Pacific Telecom Cellular at 5 (five-year holding period); Comments of Palmer Communications, Inc. at 7-8 (one-year holding period).

²⁹ See, e.g., Comments of AT&T at 25-26; Comments of MCI at 14; Comments of Minority PCS Coalition at 7-9; Comments of Cellular Telecommunications Industry Association; Comments of Utilities Telecommunications Council at 18.

the Commission needs to balance that goal against the need to promote the rapid deployment and introduction of PCS. In this regard, it is unlikely that combinatorial bidding will result in anticompetitive behavior because the Commission's rules provide that no single entity can aggregate more than 40 MHz of spectrum in a single market. Thus, even if all of the blocks A and B across the nation are held by single entities, there will likely be no fewer than three PCS licensees in any one market. Many markets will also have two cellular systems, a Specialized Mobile Radio (SMR) system or an Enhanced SMR ("ESMR") system, all providing competition in the wireless services market. Clearly, the likely existence of a number of competitors in each market will result in robust competition in the PCS marketplace even if all the combinatorial bidding possibilities are fulfilled.

Moreover, combinatorial bidding will encourage, not discourage, designated entity involvement. Indeed, provided that the Commission allows proportionate preferential credit outside the set-aside blocks as AWCC has suggested, national service providers will seek out and obtain partnerships or strategic alliances with qualified designated entities throughout the nation. There is no better way for the Commission to ensure real economic opportunity for the designated entities than by providing them a chance to participate in nationwide or regional PCS alliances. Combinatorial bidding is a key component to an effective PCS